

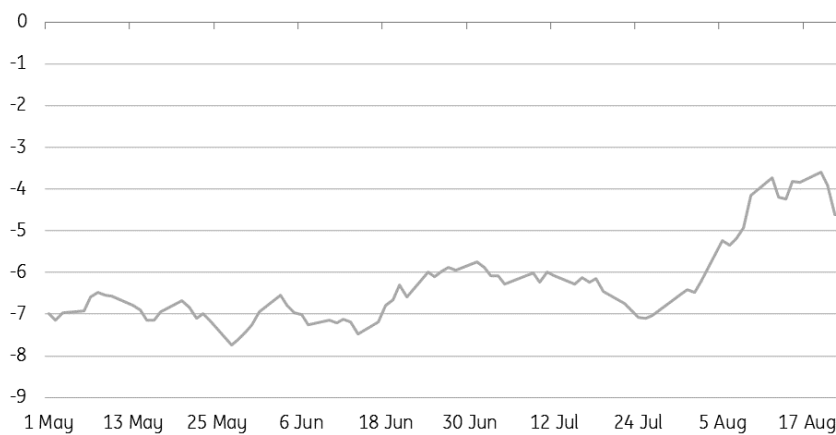
# The Commodities Feed: WTI/Brent weakens

Your daily roundup of commodity news and ING views



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## WTI/Brent discount edges lower (US\$/bbl)



Source: Bloomberg, ING Research

## Energy

**US oil numbers:** EIA data released yesterday showed that US crude oil inventories declined by 2.73MMbbls over the last week, this was more than the 1.5MMbbls the market was expecting, but less than the 3.45MMbbls the API reported the previous day. Crude stocks at Cushing fell by 2.49MMbbls, taking total stocks at the WTI delivery hub to 42.34MMbbls- levels last seen back in February.

The drawdown in stocks was driven by several factors. Firstly, refinery utilisation rates increased by 1.1 percentage points to 95.9%, which is above the five-year average for this time of the year. Secondly, crude oil imports fell by 496Mbbbls/d over the week to average 7.22MMbbls/d- imports from Mexico declined the most over the week, falling by 391Mbbbls/d.

Despite the reported draws, the WTI/Brent discount weakened, trading back down to around US\$4.60/bbl from around US\$3.60/bbl earlier in the week. While new pipeline capacity has been bullish for the spread in recent weeks, it does appear that the relative strength in WTI is starting to raise concerns over how it may impact demand for US oil from overseas buyers.

## Metals

**Zinc balance:** ILZSG data shows that the global zinc market turned to a small surplus of 11kt in June, after three consecutive months of deficit, on the back of improving supplies from China. Year-to-date, the zinc market is estimated to have been in deficit by 134kt over the first half of 2019. We continue to believe that the Chinese zinc market will return to surplus in 2H19 on ample availability of mined ore, evident in stronger TC charges. The LME zinc forward curve remains flattened since early July after trading into deep backwardation during 2Q19, reflecting a relatively better-supplied spot market. Meanwhile, the lead market saw a deficit of 6kt in June 2019, which saw the YTD deficit widening to 65kt over the 1H19. The LME zinc/lead price ratio has dropped to a three-year low of 1.08 currently on divergent market balances.

**Metal prices:** The LME metals complex is largely softer this morning, with LME copper down 0.5% to US\$5,704/t, as minutes from the last Federal Reserve meeting softened expectations of an aggressive rate cut cycle. The minutes supported the view that the last cut of 25bp was more of an insurance cut, and that the Fed will be cautious in further easing unless the economic situation deteriorates significantly. For the immediate term, the market will be closely watching the Jackson Hole symposium today and tomorrow, especially Fed chair Jerome Powell's statement on Friday, to gauge current sentiment among policymakers.

## Agriculture

**US Midwest crop tour:** The Pro Farmer Midwest crop tour has now completed its third day, and so far yields appear to confirm that the USDA is being too optimistic with its US corn yield estimates for the 2019/20 marketing year. The tour has visited Nebraska, South Dakota, Indiana and Ohio, and all states showed yields lower than what the USDA's latest crop production report estimates. The corn market has come under significant pressure in recent weeks, following the USDA's surprisingly bearish WASDE report, where they increased yield estimates, and revised lower planted area by less than market expectations.

## Daily price update

|                              | Current | % DoD | ch     | %YTD | ch |                          | Current | % DoD | ch    | %YTD | ch |
|------------------------------|---------|-------|--------|------|----|--------------------------|---------|-------|-------|------|----|
| ICE Brent (US\$/bbl)         | 60.3    | 0.45  | 12.08  |      |    | Spot Gold (US\$/oz)      | 1,502.7 | -0.30 | 17.17 |      |    |
| NYMEX WTI (US\$/bbl)         | 55.68   | -1.17 | 22.62  |      |    | Spot Silver (US\$/oz)    | 17.1    | -0.24 | 10.50 |      |    |
| ICE Gasoil (US\$/t)          | 572     | 1.51  | 11.99  |      |    | LME Copper (US\$/t)      | 5,732   | 0.37  | -3.91 |      |    |
| NYMEX HO (Usc/g)             | 186     | 0.16  | 10.50  |      |    | LME Aluminium (US\$/t)   | 1,779   | -0.17 | -3.63 |      |    |
| Eurobob (US\$/t)             | 592     | 0.53  | 23.50  |      |    | LME Zinc (US\$/t)        | 2,289   | 2.83  | -7.22 |      |    |
| NYMEX RBOB (Usc/g)           | 169     | 0.76  | 27.96  |      |    | LME Nickel (US\$/t)      | 15,825  | -0.22 | 48.04 |      |    |
| NYMEX NG (US\$/mmbtu)        | 2.17    | -2.16 | -26.19 |      |    |                          |         |       |       |      |    |
| TTF Natural Gas (EUR/MWh)    | 11.41   | 1.76  | -48.08 |      |    | CBOT Corn (Usc/bu)       | 363     | 0.83  | -3.33 |      |    |
|                              |         |       |        |      |    | CBOT Wheat (Usc/bu)      | 463     | 0.54  | -8.10 |      |    |
| API2 Coal (US\$/t)           | 57      | -0.88 | -34.36 |      |    | CBOT Soybeans (Usc/bu)   | 861     | 0.56  | -2.49 |      |    |
| Newcastle Coal (US\$/t)      | 64      | -1.83 | -36.44 |      |    | ICE No.11 Sugar (Usc/lb) | 11.39   | -0.44 | -5.32 |      |    |
| SGX TSI Coking Coal (US\$/t) | 151     | -0.13 | -28.76 |      |    | ICE Arabica (Usc/lb)     | 93      | 1.53  | -8.84 |      |    |
| SGX Iron Ore 62% (US\$/t)    | 80.72   | -6.61 | 16.19  |      |    | ICE London Cocoa (GBP/t) | 1,654   | 1.78  | -6.34 |      |    |

Source: Bloomberg, ING Research

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